

ARTICLE APPEARED
ON PAGE A-5

HONOLULU ADVERTISER
17 July 1985

CIA shuts down Honolulu office

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The Central Intelligence Agency has shut down its Honolulu Federal Building office, saying it was not receiving enough good information through it to justify the cost.

Cathy Pherson, spokeswoman for the CIA, said the decision to close the office had no connection with the case of Ronald Rewald, a Honolulu businessman who claims his relationship with the agency was the reason for the collapse of his company two years ago.

But others familiar with both the Rewald case and CIA operations suggest that the publicity surrounding Rewald probably dried up the flow of legitimate information to the Honolulu office and stimulated many contacts by cranks and "nuts."

Rewald, who faces 98 counts of fraud, perjury, tax evasion and securities violations in a case set for trial Aug. 5, let the CIA use his firm as a "commercial cover" — a mailing address and telephone number — for some CIA personnel. He claims the CIA created and operated the firm and caused its collapse, a charge the CIA denies.

Persons interested in contacting the CIA from Honolulu are being referred to the agency's San Francisco or Los Angeles offices and, where appropriate, to a personnel office in South El Monte, Calif.

The decision to close the Honolulu office was "a resource management problem, or solution," Pherson said. "We have offices in (some) United States cities for the purpose of talking to U.S. citizens who might have information of intelligence value to offer," she said.

Such offices are "overt," public to the extent that they have a listed telephone number. Addresses are not normally published.

The Honolulu office had been located since at least 1960 in a penthouse of the Dillingham Transportation Building on Bishop Street, but on June 1, '77, moved into the new

Federal Building.

As early as 1954, the CIA was active in Honolulu with a 16-month program opening mail from China and other countries.

Whether a city has an office "depends on what the volume" of information available there is, Pherson said. Port cities and financial centers often have such CIA offices, which sometimes are also used to coordinate recruiting efforts.

"It's quite a chore when you're talking about making people available for U.S. citizens who want to volunteer information," Pherson said. "Our main focus is to get information overseas."

Another official, who asked not to be identified, said analysis of traffic at the Honolulu office apparently showed it was not worth the time and money to maintain it.

"For example, the agency is interested in information about foreign financial activity, and there's better information about that from Mainland financial centers than there is in Honolulu," the official said.

But one former head of the office, John Kindschi, said in a brief interview yesterday that "you don't have to throw darts at a dart board to figure out that there was an awful lot out there" of interest to the CIA.

At the same time, Kindschi said, he was not really surprised by a decision to close the office, coming in the wake of the Rewald case.

Another official who requested anonymity said that even though Honolulu has not become the financial hub of the Pacific some have envisioned, it still offers intelligence opportunities because of the number of persons who travel through the state, the number of recent immigrants here and the number of persons here with relatives and personal and business contacts in foreign countries.

It was through the overt CIA office here that Rewald initiated his contact with the CIA in Hawaii shortly after his arrival in 1977.

He says he earlier worked for

the CIA in Wisconsin in the 1960s, spying on college students in the CIA's apparent effort to determine if student political movements had foreign support.

In Hawaii, Rewald worked initially with Eugene Welch, then with Welch's successor, Kindschi, and finally with a third "station chief," Jack Rardin.

Rewald also knew Rick Watkins, Welch's predecessor, and Watkins wife, both CIA employees. Watkins was preceded by a Michael Todorovich as head of the office.

Kindschi and Rardin both wrote checks to pay telephone bills for at least one cover company operated through Rewald's firm, and both Kindschi and Rardin eventually deposited personal funds in investment accounts at Rewald's firm.

Kindschi joined Rewald's firm when he retired; Rardin was shipped off to Florida after the Rewald scandal broke; his successor, never publicly identified, has since left.

In addition, Rewald dealt with other CIA personnel, including a C.L. Richardson, who also operated from San Francisco, Los Angeles and Washington, D.C., addresses.

Richardson and a number of other CIA employees around the world also made personal investments with Rewald's company, Bishop Baldwin Rewald Dillingham & Wong.

The CIA maintains liaison, analysis and communications personnel at or near most major military commands and is believed to have such personnel in Hawaii, although not associated with the overt CIA office.

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As the public relations man predicted, the Rewald story was filled with "fascinating grist."

BECAUSE REWALD survived, there were hundreds of questions to be answered. Who was this mysterious man and just what exactly did his company do? More importantly, where did the money go?

Law enforcement agencies moved quickly against Rewald and the courts moved quickly against what was left of BBRD&W.

The state charged Rewald with two counts of theft and locked him in prison on \$10 million bail. The federal bankruptcy court froze all of his personal assets and declared his company bankrupt.

Within days, bankruptcy trustee Thomas Hayes broke the bad news to investors and the court: At least \$17 million had been invested in the company and it all was spent. It went, Hayes said, to pay for Rewald's expensive lifestyle and to create a healthy corporate appearance.

In reality, Hayes said, the company was a sham. There were no assets and there had been no substantial investments.

U.S. Judge Martin Pence labeled the company a Ponzi scheme, in which new money was brought in to pay fictitious interest to earlier investors.

All the money investors entrusted to Rewald went into a "poi bowl" account in Hawaii National Bank. From that bowl Rewald frequently dipped, not with two fingers, but with both hands.

REWALD, LOCKED away at the Oahu Community Correctional Center, was unable to defend himself in public. Still suffering from the depression that had driven him to attempt to take his life, Rewald brooded. But as his health returned, his confidence grew and Rewald plotted his defense.

In a conversation with his attorney, Robert Smith, Rewald described a side of himself and his company that few knew. He was not the mild-mannered businessman who had stolen from widows. He was "Winterdog," a CIA agent with a long history of association with the agency. "Winterdog" was a code name given to him by the agency long ago, Rewald has said.

He spoke of secret arms deals and clandestine meetings and stealing secret plans from foreign countries.

The contents of the confidential attorney-client conversation fell into the hands of John Kelly, a self-proclaimed CIA specialist, freelance news researcher and editor of a little-known publication called "Counterspy Magazine."

Kelly also obtained a number of other documents that had been in Rewald's files and was instrumental in disseminating them to other news organizations. He worked for the British Broadcasting Corp. on a documentary which described Rewald as a "spy left out in the cold."

He also provided information to a Wall Street Journal reporter and showed his documents to other national news organizations.

SOON, THE public was saturated with the CIA side of the Rewald saga. But disclosures about the CIA raised many questions. Much of the information about Rewald's 'connection with the agency came from his own files and was obviously self-serving.

One letter displayed by some news organizations to show CIA involvement was addressed to CIA head William Casey and stamped confidential and heavily "blackened out." What the public was not told is that the letter actually was written by Rewald's own attorney after Rewald had been charged with fraud.

Soon the attention in the case shifted from possible investment fraud to whether the CIA was heavily involved in BBRD&W as Rewald and Kelly claimed.

A Sporting Chance

Rewald was born in Milwaukee in 1942 and grew up in heartland America. He was somewhat athletic, having played football in high school and also, he says, in the NFL. Although he had signed contracts with two or three NFL teams, he was not listed on any players roster.

He married his wife, Nancy, when he was 18 and eventually they had five children. In the 1960s, he attended a two-year college and became one of a number of students who, on behalf of the CIA, attempted to infiltrate student groups who were active in protests.

In an affidavit, Rewald claims that he was paid \$120 a week by the CIA.

After his first child was born, Rewald decided to end his student CIA job and get "regular

work close to home," according to the affidavit.

It was natural for someone attracted to athletics to get into the sporting goods business. By 1974, College Athletic Inc. was going well and Rewald had big

in a Wisconsin newspaper article, he described plans to sell sporting good franchises throughout the country, including in Hawaii, and for building a sports complex.

BUT SELLING franchises proved to be tricky. In March 1976 he was charged with illegally selling a franchise and eventually pleaded no contest to a lesser charge of petty theft. His first experience at high-finance failed and he filed for bankruptcy in the summer of 1978.

After his sporting goods stores failed, he formed a company called CMI, a financial consulting firm.

Rewald, who registered with the Security and Exchange Commission in 1976 as an investment advisor, used the company to solicit investments from friends, family members and others.

Rewald moved CMI to Hawaii a year later.

On a tennis court he met a real estate man, Sunlin "Sunny" Wong. Wong eventually helped Rewald buy his first house in Hawaii. Sometime later, Rewald approached Wong about forming a business together. He already had moved Wong's real estate business into the CMI offices in the Amfac Building at no cost to Wong.

Rewald said the purpose of the new company would be consulting work: Rewald would do management and investment consulting and Wong would do real estate consulting.

ACCORDING to court records, Wong was reluctant, saying that he didn't know anything about consulting. But Rewald convinced Wong to become his partner.

After coming to Hawaii, Rewald also introduced himself to Eugene Welch, the CIA bureau chief.

The CIA office was set up to make contact with people like Rewald: people who felt they might have information useful to the agency. Anyone could walk off the street and "file reports" with the CIA office about their foreign travels.

Whether the CIA actually used them was another matter.

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In Rewald, the CIA here found a patriot with a track record of cooperation. It is unknown if background checks on Rewald were made other than to confirm his previous CIA involvement.

But if Rewald was successful in business here, the agency might have a use for him.

Rewald claims that in 1978 Welch asked him to set up two cover operations for the CIA which would be backdrops for

People calling H&H Enterprises and Canadian Far East Trading, which existed on paper only in the CMI offices, would be told that two agents did indeed work for one company or the other. The two companies would be a place where mail could be sent and information forwarded to the two agents.

IN FALL 1978, a new company emerged in Hawaii as a worldwide financial institution with roots allegedly going back to the state's territorial days. Rewald claims in his affidavit that Welch suggested the firm be set up and that they use names "synonymous with Hawaii."

"Sunny and I considered some names at the direction of the station chief such as Castle, Cooke, Cassiday . . . and finally we came up with a combination called Bishop, Baldwin, Rewald, Dillingham & Wong."

The Rise of BBRD&W

Rewald's company was never intended to operate as a Hawaii company, Rewald says in his affidavit.

"We would have been stupid to develop a name like Bishop, Baldwin, Rewald, Dillingham & Wong if our purpose was to do business in Hawaii," he says.

In fact, BBRD&W really didn't do much business in Hawaii. But bankruptcy administrator Hayes contends it was because Rewald was too busy spending investors' money to actually do business.

According to court records, shortly after BBRD&W was incorporated, and unknown to Wong, Rewald began soliciting money from investors, mostly from people he knew in Wisconsin.

Rewald had several sporting goods stores in Hawaii but all were losing money, as they had in Wisconsin. To keep the stores going, Rewald sold stock and attracted investors, according to court records.

But the financial problems surrounding the stores didn't keep

Rewald from making big plans. In summer 1979, he convinced Wong that their company should be moved to more expensive offices in Grosvenor Center.

Wong had been working almost exclusively as the principal broker in Sunny Wong Realty and didn't think he could afford the move. But Rewald, according to records, assured Wong that he would not have to pay any additional overhead.

Wong continued his real estate business and had little to do with the running of BBRD&W although he was listed as president.

MEANWHILE, Rewald continued to attract investors with claims that BBRD&W was one of the oldest and largest privately held investment companies in the state. He said the company was involved in only high-return, no-risk investments and that the average investor was worth \$4 million.

Gaudy, overstated brochures were distributed offering investors numerous financial services.

It was strange activity for someone who would later claim BBRD&W was a CIA front that never was intended to operate in Hawaii.

Rewald continued to build the company's facade. He hired numerous "consultants": lawyers, accountants and real estate people. They were paid well but did little work.

If Rewald actually wanted the company to keep a low profile, he went about it in a strange way.

He hired a public relations firm, which began sending out financial reports to the news media. He bought the Hawaii Polo Club and began hobnobbing with the island's elite and some of the world's wealthiest jet-setters.

All the while, he continued to try to build up his importance to the local CIA office here. One addition to his staff that he thought would help was the hiring of Sue Wilson.

WILSON WAS brought into the company by Wong, who was impressed by the fact that she used to work for the National Security Agency, a large intelligence-gathering agency. Rewald was impressed, too.

"Wilson was brought in by Sunny Wong for her intelligence background in the hopes that we might attract more Agency work," Rewald says in his affidavit.

Wilson's "intelligence background" actually involved work-

ing as a secretary in NSA beginning when she was 18.

After quitting that job, she bounced around, holding a number of odd jobs. She distributed Amway products and Tupperware, she was a hotel secretary, a "Kelly girl" and finally a secretary for a realty company.

The Fall

What actually was going on inside of BBRD&W from 1980 to 1983?

According to Rewald, the company was a beehive of secret activity. Welch had moved on and been replaced at the CIA office by Jack Kindschl. When Kindschl retired, he joined the Rewald firm as one of the many consultants.

Rewald kept in contact with the new bureau chief, Jack Rardin.

Some consultants, like retired Air Force pilot Ned Avery were sent to various parts of the world purportedly to take part in clandestine arms deals.

Rewald saw his role for the CIA as an undercover business leader who "could travel around the world making contact with 'wealthy and well-placed businessmen and government officials.'"

He says the CIA supplied him with fake diplomas from Marquette University — which he later turned into metal plaques — to add to his credibility.

It is curious, if true, that the U.S. government would use someone with Rewald's lack of financial expertise to try to gather information about the stability of foreign banks.

FOR INSTANCE, Rewald, who never graduated from college and has no specific background in banking, claims he was sent by the CIA to Argentina in 1982, just prior to the Falklands Islands war, to study banking and economic conditions.

Rewald's purported goals were identical to those reported in a newspaper wire story about an earlier trip to Argentina by Chase Manhattan Bank Chairman David Rockefeller.

Rewald claims that from 1980 to 1982, the CIA began using the investment account, the so-called "poi bowl" bank account, to place funds which were then to be used in foreign operations.

The account also was used to shelter money of highly placed foreign diplomats, Rewald claims in his affidavit.

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He lists 21 names used to hide funds for foreign clients, including Sue Wilson and two of his security guards.

He also lists Charles Richardson, a CIA agent who did use BBRD&W for cover. But in June 1983, with the IRS probe progressing, Richardson, also known as Richard Cavannaugh, wrote a letter to Rewald explaining why he had to withdraw his money from Rewald's company because of a possible "conflict of interest."

RICHARDSON later was fired from the agency for helping recruit five other CIA employees to invest money with Rewald. Together, they lost up to \$300,000.

Review of all of the accounts Rewald listed shows no large amounts of unexplained money coming into or leaving the accounts.

Government attorneys have another explanation for what was happening in the company around this time.

In court records, they charge that Rewald was luring more investors into giving him money by promising high interest and planting glowing articles in the news media about his company.

To encourage his consultants to seek additional money from prospective clients, he paid many of them finder's fees and commissions.

By early 1983, the company not only had attracted the attention of the IRS but also of the SEC and the Federal Deposit Insurance Corporation.

An attorney working for Rewald warned him that the investment savings account was a security being offered and sold in violation of federal laws, according to court records. Rewald was told by several of his attorneys that the account must be closed and that all of the money, including interest, had to be returned to investors. The closing date was set for Aug. 10, 1983.

BUT REWALD knew things had gone too far. There was not nearly enough money in the bank to pay off investors.

He continued to take in new money and pay commissions to his consultants, while assuring the SEC that such commissions, which are illegal, were not being paid.

By the time the company collapsed, Rewald had taken in \$22 million from about 400 investors.

Of that money, about \$10 million was paid back to earlier investors. About \$5.5 million went to running the company and paying salaries. And about \$5.5 million, government attorneys claim, Rewald spent on himself.

According to an audit of all of the BBRD&W financial transactions, about \$250,000 went to Rewald's polo-related interests. Another \$200,000 went to the horses he owned. About \$1.4 million went to house and ranch expenses. Some \$600,000 was sunk into the sporting goods stores which never made money. And some \$2.3 million went for his personal expenses.

The End, New Beginning

It was about 4 p.m. on July 30, 1983, when Marilyn Yee Liu, assistant manager of the Sheraton Waikiki Hotel opened the door to room 1632 and was met by a bloody sight. A man was crumpled on the bathroom floor against the tub.

She called for security people to meet her at the room. An ambulance was called.

According to a police report, two security guards tried to make Rewald more comfortable while the ambulance was on its way.

"I wish I were dead," Rewald told them.

"Stay with us," one of the security men said.

Neatly stacked on a round table by the hotel room window there were some credit cards, \$100 in cash, a gold wedding ring, a watch and an envelope addressed to Rewald's wife.

"I know how bad everything must look to all of you and everyone else," Rewald had written to his wife. "I want you to know I never did anything to hurt anyone. Someday I pray the truth will be known."

On Jun. 14, 1984, Sunlin "Sunny" Wong walked into a federal courtroom and pleaded guilty to mail and securities fraud.

The 35-year-old real estate man and president of BBRD&W admitted that the company had concocted a scheme to defraud investors out of \$22 million. He is serving a two-year sentence in a federal prison.

On Aug. 30, 1984, Rewald was indicted by a federal grand jury on a hundred counts of mail fraud, securities fraud, tax evasion and perjury.